O/FADRC (4)

EXCISE

DEPARTMENT OF STATE

ACTION MEMORANDUM

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SEP 27 1983

TO: The Deputy Secretary

FROM: EB - Julius L. Katz
D/HA - Patricia M. Derian
S/P - W. Anthony Lake

SUBJECT: Commodity Credit Corporation and Human Rights

DEPARTMENT OF STATE A/CDC/MR
REVIEWED BY R. Valen DATE 6/27/84
XDS ☒ 1 of XDS ☐ EXT. DATE
TS AUTH. REASON(S)
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DECLASSIFIED ☐ RELEASABLE ☐
RELEASE DENIED ☒ CONFIDENTIAL
PA or FOI EXEMPTIONS 5 USC 552(b)(1)(4)(5)

Issue for Decision

You are being asked to decide whether Commodity Credit Corporation (CCC) extensions of credit should be subject to review on human rights grounds. D/HA and S/P believe they should be so reviewed. [redacted]

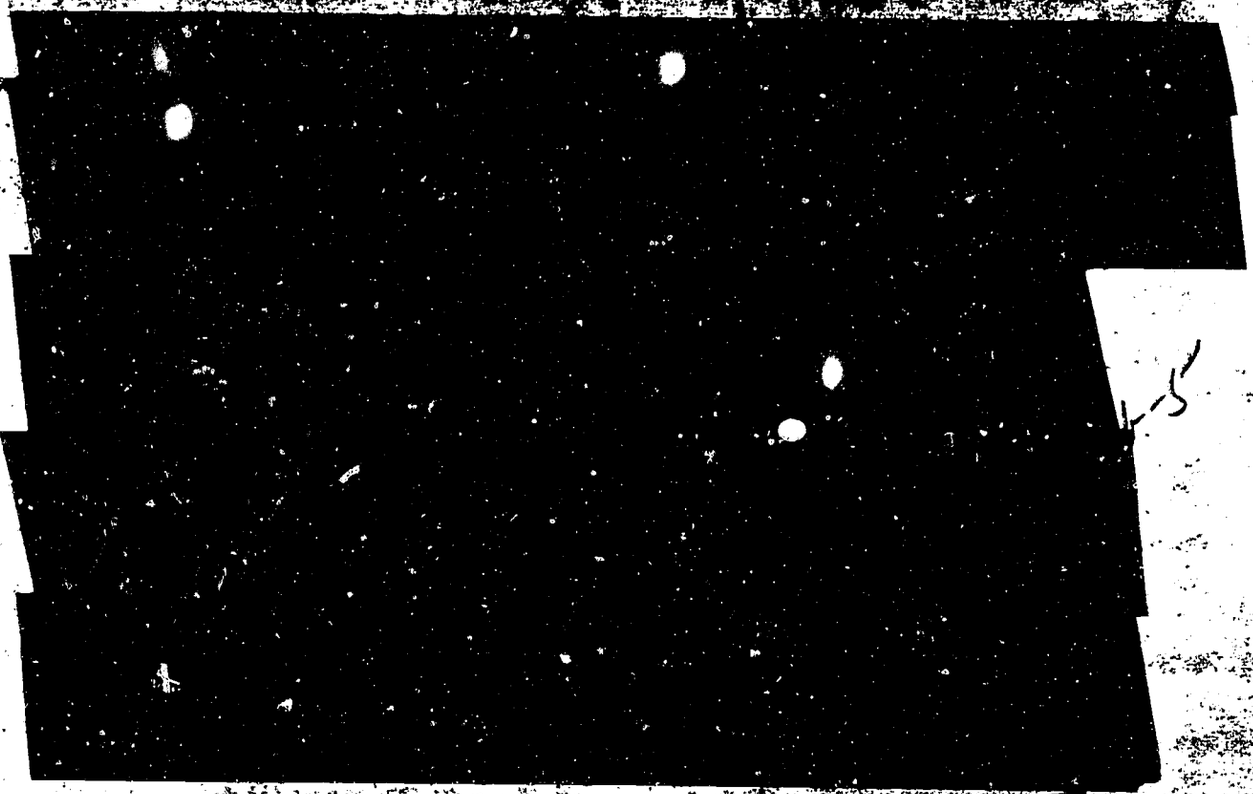
Essential Factors

CCC credits are an official mechanism for facilitating the export of American agricultural commodities. They are designed to serve commercial objectives, but have at times been used to pursue political objectives as part of our foreign policy. No mechanism now exists whereby they are routinely reviewed for human rights considerations.

Narrative arguments from both points of view are contained in an attachment.

Options

[redacted]



Con

-- CCC credits are provided by a United States Government corporation, established by action of the United States Congress. They are an official international activity of the United States Government. Human rights is a central goal of American foreign policy and, therefore, must be taken into consideration in CCC decisions.

-- CCC credits are at least partly concessional in nature and are viewed by other governments and by their publics as an element of American assistance, deserving of favorable political attitudes.

-- The timing, amount and nature of our extension of credit is a foreign policy act. We should, therefore, evaluate on balance if it serves [illegible] by [illegible] human rights [illegible]

Con

(Con argument for Option 1 and the following)

-- This option permits the Interagency Committee to view all aspects of government-related economic relationships and human rights policy.

-- Human rights is the only aspect not reviewed by the National Advisory Council on International Monetary and Financial Policies.

[redacted]

[redacted]

That you appear before the Judge of the Court of Common Pleas

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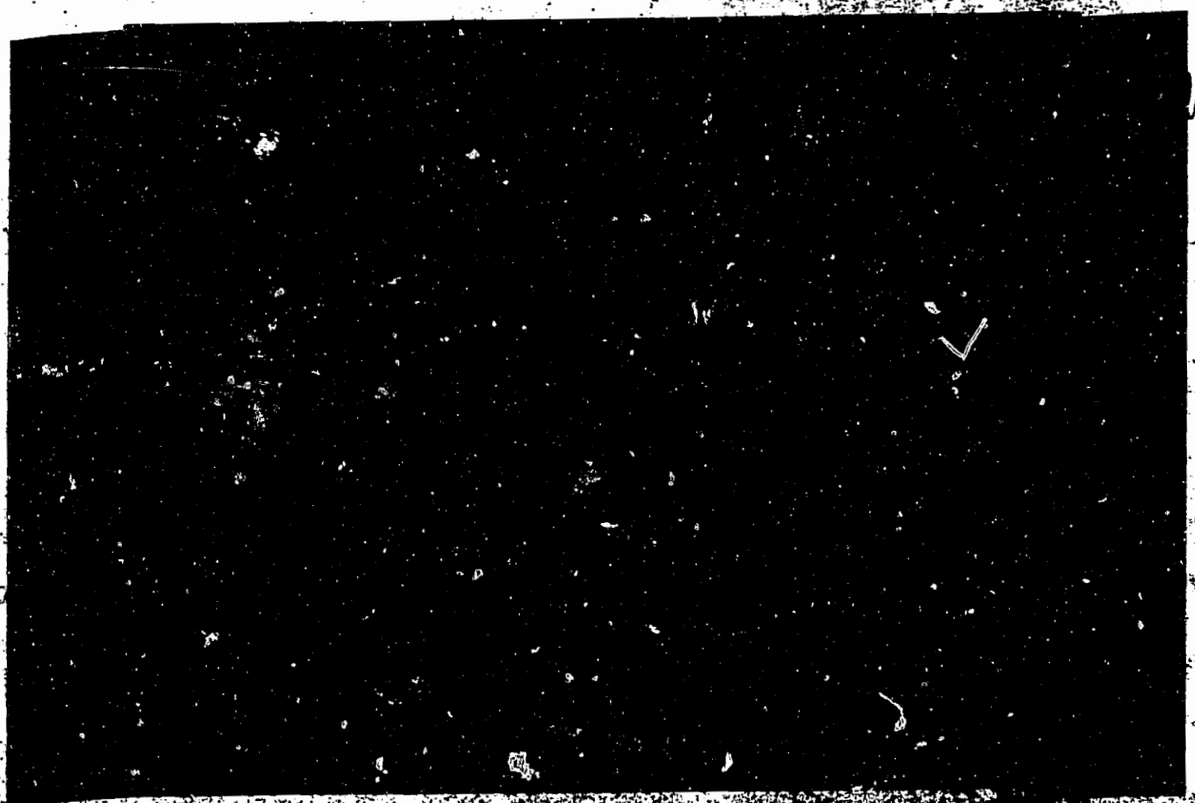
CCC And Human Rights: Background and Issues

Background

The Commodity Credit Corporation is a branch of the Agriculture Department charged with maintaining and expanding export markets for American agricultural commodities. The CCC extends credit at attractive, but commercial interest rates. CCC is required to set rates at commercial levels and above the cost of money to the Treasury. The repayment period, three years, is longer than can usually be obtained commercially for agricultural commodity financing. These terms are, therefore, more advantageous to the borrower than could normally be obtained from a commercial lender, but are roughly comparable to those which can be offered by the government entities which control exports in other major agricultural exporting nations, e.g. Canada and Australia.



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In Support of Subjecting CCC Activities to Human Rights Review

CCC credits are extended in the main for commercial purposes, and the international marketing of the United States' agricultural surplus is its central objective. However, CCC credits are an international activity of the United States Government and have been used, on occasion, as a foreign policy instrument. The CCC, like ExIm, OPIC and other official "commercial" agencies, plays a role in American foreign policy.

The logic of the CCC's foreign policy role derives from its being an official agency. A CCC credit is sometimes viewed as expressing a United States Government position toward the recipient nation. The interpretation of a particular loan will, of course, depend upon the specific context. In addition, CCC loans, with their later maturities and sometimes below-market interest rates, provide an element of concessionality. (A study by the Joint Economic Committee found that the annual subsidy value in CCC credits from 1970-75 was $130 million.) The delayed repayment schedule, in effect, raises the external liquidity position of the borrower. This element of concessionality reinforces the perception that CCC credits are an official political instrument.

An example of a CCC loan delivering a political signal [redacted] would be the proposed $10 million CCC credit [redacted] creating the $10 million credit, which will have very limited impact on our overall wheat situation (one-third of one percent of our surplus), will send a strong message of approval [redacted] thereby contradicting our [redacted] human rights policy. [redacted] specifically asserted, [redacted] is engaged in [redacted] pattern of gross violations of human rights [redacted] our vote against a pending International Development Bank loan [redacted] a $10 million CCC credit could appear [redacted] program which does not [redacted] [redacted] have been authorized [redacted] of a credit today would [redacted]

[redacted] during its first year [redacted]. Other [redacted] of CCC to assist a government [redacted] as part of a broader aid package, to [redacted]. In each case, the aid package was [redacted] external political as well as economic support for the recipient government. An example of withholding of CCC for political purposes occured last year [redacted] in order to pressure the government to settle favorably the [redacted] dispute.

Having established by logic and history, that CCC decisions do, at times, involve foreign policy considerations, and given that human rights is a priority focus of our foreign policy, the issue becomes when -- not if -- human rights should be considered in CCC decision-making. While commercial factors will certainly predominate in the large majority of CCC decisions, in special cases involving repressive regimes, human rights policy [redacted] decisive.